

September 13, 1999

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, DOR
Dick Thompson, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: SEPTEMBER 10, 1999 REVENUE COLLECTION REPORT

After very strong growth last month, General Fund-State receipts were less than expected in the August 11 –September 10 collection period. For the current month receipts were \$15.7 million below the June forecast; however, cumulatively tax payments are only \$7.3 million below expectations for the three months since the June forecast. Weaker than expected Revenue Act (retail sales, use, business and occupation and public utility taxes) receipts and lottery General Fund transfers accounted for most of the shortfall this month. Cumulatively, the \$7.3 million shortfall is more than entirely accounted for by weaker than expected lottery transfers. Most major excise taxes are close to the forecast cumulative since June despite the weakness this month. Collection experience since the June forecast indicates that revenue is behaving about as expected and that the economy remains healthy.

Revenue Act sources were \$17.4 million below the estimate in the current period (primarily July 1999 business activity) but is \$5.0 million higher than estimated for the three months since the June forecast. After very strong growth last month, Revenue Act receipts weakened in the current period. Collections were only 3.0 percent above the year-ago level, after adjusting for legislation and special factors. This was the weakest monthly gain since February 1998, and well below the 10.5 percent increase last month. Despite this month's weakness Revenue act collection growth has been very strong since the beginning of the year, increasing on average 6.6 percent in the first seven months of 1999 after growing a strong 6.8 in the last half of 1998. This is in line with the explosive growth of retail sales nationally which increased, 8.1 in the first half of 1999. While nationally, Data Resources (DRI) expects retail sales growth to remain very strong for the remainder of 1999, Revenue Act growth is expected to decelerate in the last half of the year as state employment and income growth slows.

The retailing sector again appears to be the major source of strength this month based on preliminary data on taxes paid in the August 11 - September 10 period. The construction and wholesaling sectors were also strong. Within retailing, the durable goods sector, (furniture and autos) were again stronger than average in the current month, although weaker than in previous months. There was noticeable weakness in the manufacturing and services sectors, which indicated a year-over-year decline in tax payments this period.

Other General Fund taxes collected by the Department of Revenue were \$5.0 million above the estimate for the month. Real estate excise tax receipts exceeded the estimate for the month by \$2.8 million and property tax payments were \$752,000 higher than expected. Estate tax receipts were also higher than expected (\$1.5 million) as were a combination of other smaller sources (\$963,000) as well as cigarette and liquor tax payments. Only timber excise tax receipts were less than expected for the month. Cumulatively in the three months since the June forecast, non-revenue act taxes administered and collected by the Department of Revenue are \$941,000 below the estimate. Most major revenue sources in this category are above or close to expectations with the exception of the estate tax. In the three months since the June forecast estate tax payments are \$4.2 million less than expected. Cumulatively estate tax receipts are 23 percent below the year-ago level despite an increase in filings and strong growth in asset values.

Real estate payments rebounded last month despite higher mortgage rates. Taxable real estate activity was up 5.9 percent statewide in July (July closings reflecting payments to the state in August) after falling 6.8 percent in June. For the first seven months of 1999, taxable activity is up 4.1 percent, with the number of transactions up only 0.2 percent. With the prospect of higher mortgage rates in the future, real estate activity is likely to weaken in the second half of 1999 and early 2000.

Other agencies' General Fund collections were \$3.4 million below the forecast in August. The Department of Licensing General Fund collections were virtually right on their estimate for the month and are \$2.0 million less than expected since the June forecast. The Lottery's General Fund deposits were \$3.4 million below expectations in August and are now \$9.3 million below the estimate since June.

The attached Table 1 provides a comparison of collections with estimates for the current midmonth period, August 11- September 10, and cumulatively since our last forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's midmonth report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
September 10, 1999 Collection Report - Based on the June 1999 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
August 11 - September 10, 1999				
Department of Revenue-Total	\$690,218	\$677,807	(\$12,411)	-1.8%
Revenue Act** (1)	615,000	597,636	(17,364)	-2.8%
Non-Revenue Act(2)	75,218	80,171	4,953	6.6%
Liquor Sales/Liter	7,152	7,270	118	1.6%
Cigarette	5,822	6,150	328	5.6%
Property (State School Levy)	6,705	7,457	752	11.2%
Estate	5,235	5,635	399	7.6%
Real Estate Excise	37,448	40,243	2,795	7.5%
Timber (state share)	5,872	5,470	(402)	-6.8%
Other	6,983	7,946	963	13.8%
Department of Licensing (2)	2,012	2,106	94	4.7%
Lottery (2)	10,822	7,452	(3,370)	-31.1%
Total General Fund-State***	\$703,051	\$687,364	(\$15,687)	-2.2%
Cumulative Variance Since the June Forecast (June 11 - September 10, 1999)3				
Department of Revenue-Total	\$2,533,918	2,537,927	4,009	0.2%
Revenue Act** (3)	1,988,372	1,993,323	4,951	0.2%
Non-Revenue Act(4)	545,546	544,605	(941)	-0.2%
Liquor Sales/Liter	19,874	20,285	412	2.1%
Cigarette	16,855	18,447	1,592	9.4%
Property (State School Levy)	331,544	331,679	134	0.0%
Estate	19,835	15,621	(4,214)	-21.2%
Real Estate Excise	114,393	113,755	(639)	-0.6%
Timber (state share)	5,872	5,470	(402)	NA
Other	37,173	39,348	2,175	5.9%
Department of Licensing (4)	23,380	21,381	(1,999)	-8.6%
Lottery (4)	32,765	23,476	(9,289)	-28.4%
Total General Fund-State***	\$2,590,062	\$2,582,784	(\$7,279)	-0.3%

1 Collections August 11 - September 10, 1999. Collections primarily reflect July 1999 activity of monthly taxpayers.

2 August 1-31, 1999 collections.

3 Cumulative collections, estimates and variance since the June forecast; (June 11 - September 10, 1999) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (June-August 1999 and revisions to history.)

* Based on the June 1999 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
August 10, 1999 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
July 11- August 10, 1999				
Department of Revenue-Total	\$871,729	\$871,729	(\$0)	-0.0%
Revenue Act (1)	794,213	794,213	(0)	-0.0%
Non-Revenue Act(2)	77,516	77,516	0	0.0%
Liquor Sales/Liter	6,502	6,502	0	0.0%
Cigarette	5,794	5,794	0	0.0%
Property (State School Levy)	14,960	14,960	(0)	-0.0%
Estate	6,147	6,147	(0)	-0.0%
Real Estate Excise	39,730	39,730	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	4,383	4,383	0	0.0%
Department of Licensing (2)	2,973	2,975	2	0.1%
Lottery (2)	7,233	7,233	(0)	-0.0%
Total General Fund-State***	\$881,937	\$881,937	(\$0)	-0.0%

Cumulative Variance: June 11 - August 10, 1999 & Revisions to History

Department of Revenue-Total	1,860,121	\$1,860,121	(\$0)	-0.0%
Revenue Act (3)	1,395,687	1,395,687	(0)	-0.0%
Non-Revenue Act(4)	464,434	464,434	(0)	-0.0%
Liquor Sales/Liter	13,015	13,015	0	0.0%
Cigarette	12,297	12,297	0	0.0%
Property (State School Levy)	324,222	324,222	(0)	-0.0%
Estate	9,986	9,986	0	0.0%
Real Estate Excise	73,512	73,512	0	0.0%
Timber (state share)	0	0	0	NA
Other	31,401	31,401	0	0.0%
Department of Licensing (4)	19,275	19,274	(1)	-0.0%
Lottery (4)	16,024	16,024	(0)	-0.0%
Total General Fund-State***	1,895,419	\$1,895,419	(\$0)	-0.0%

P-Preliminary. Reported in the August 10, 1999 collection report.

R Revised data.

1 Collections July 11 - August 10, 1999. Collections primarily reflect July 1999 business activity of monthly taxpayers and April-June receipts of quarterly filers.

2 July 1-31, 1999 collections.

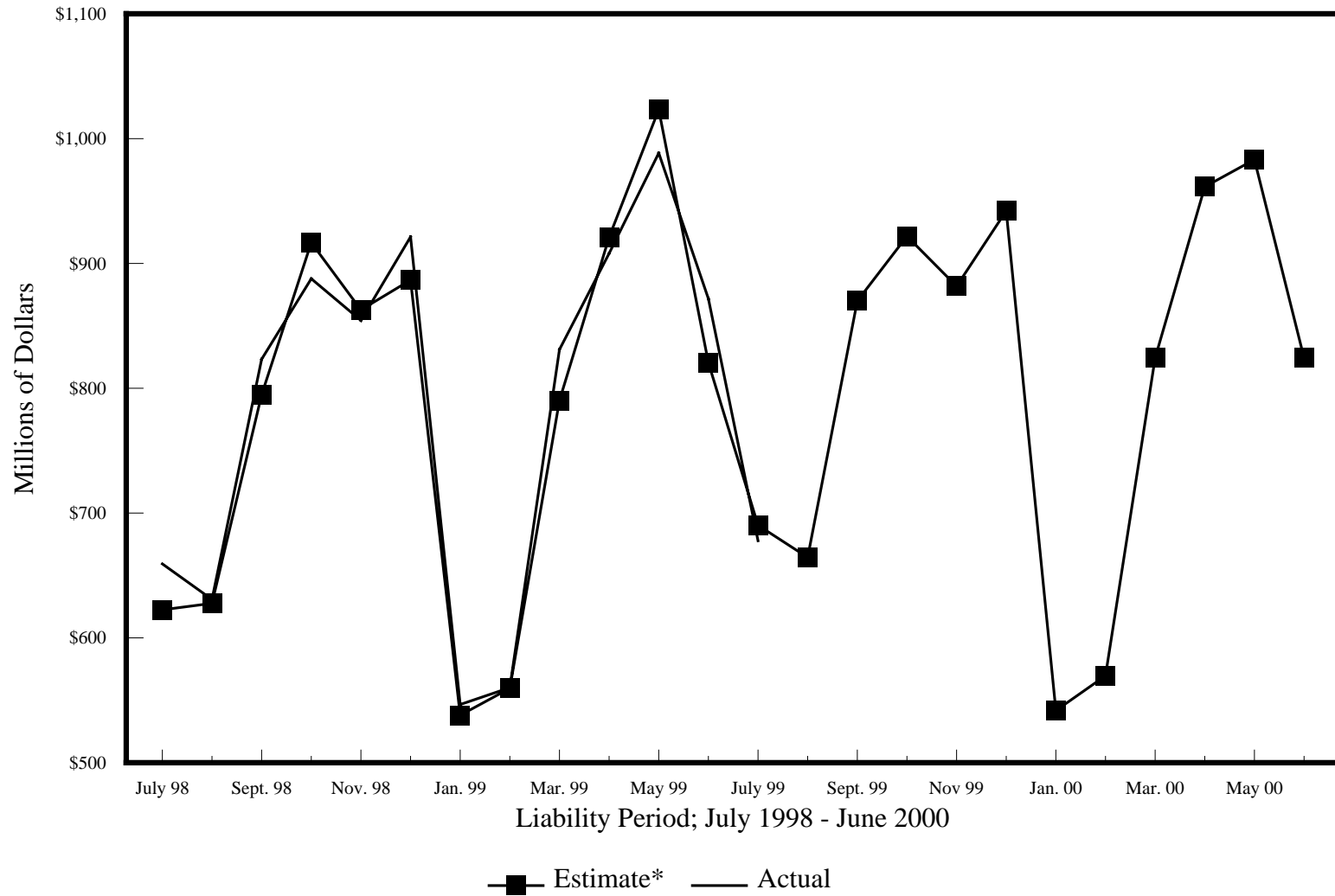
3 Cumulative variance for since the June forecast: June 11 - August 10, 1999, & revisions to history.

4 Cumulative variance: since the June forecast (June & July 1999) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Department of Revenue: General Fund-State, Actual vs. Estimate

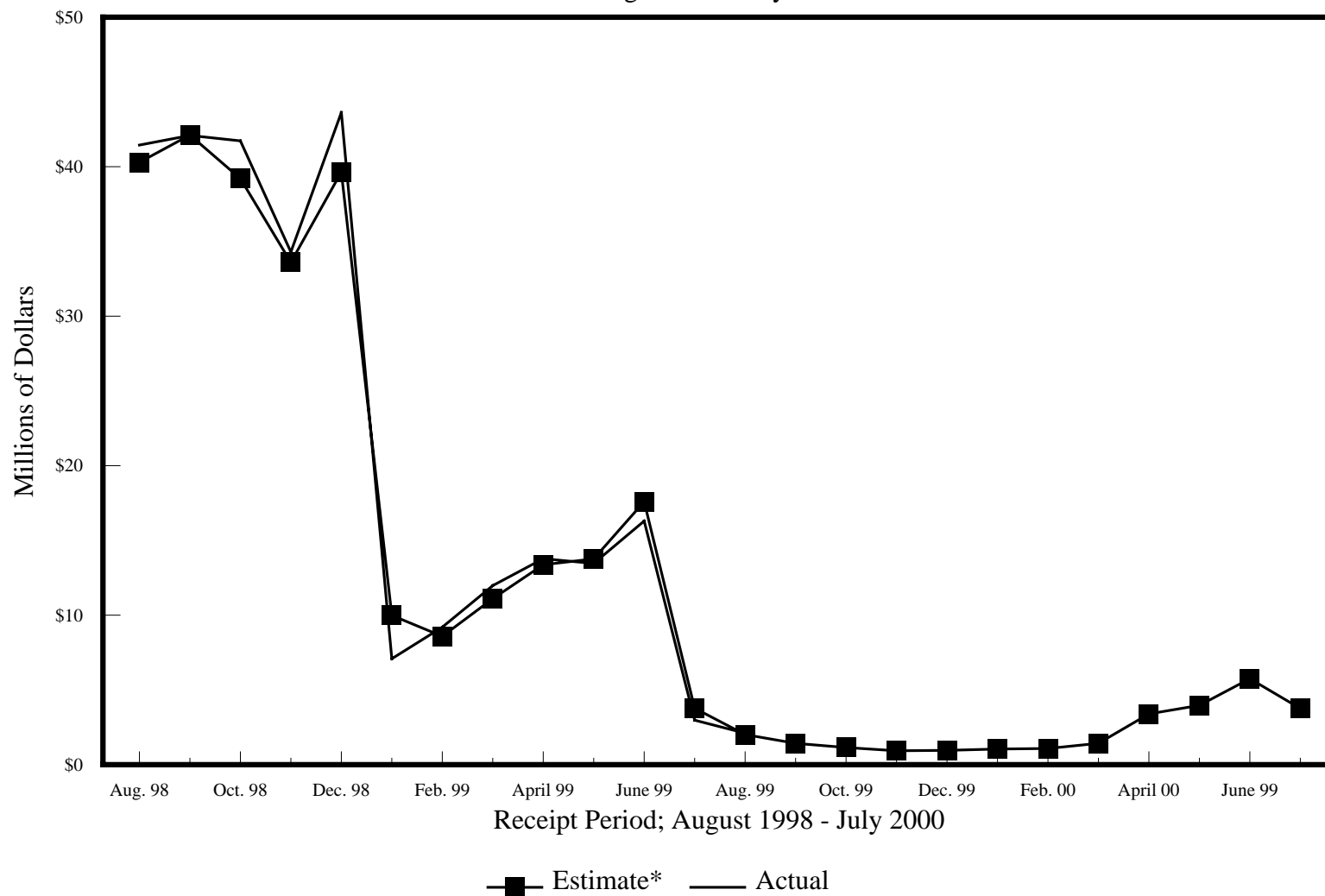
July 98 to June 2000



*June 1999 Estimates (May 99 thru June 2000)

Department of Licensing General Fund-State, Actual vs. Estimate

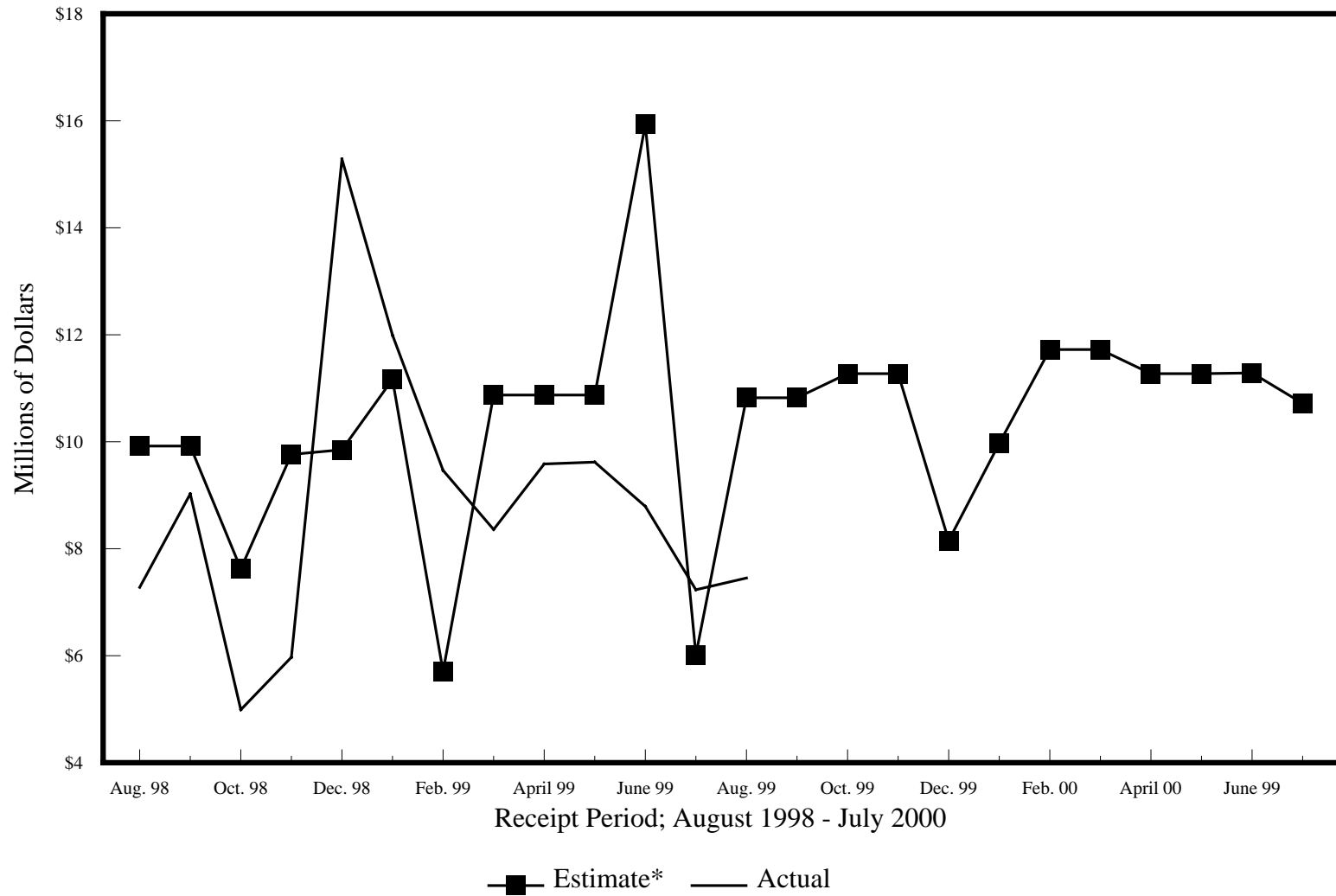
August 98 to July 2000



*June 1999 estimates (June 1999 thru July 2000)

Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to July 2000



*June 1999 estimates (June 99 thru July 2000)

Revenue Act Net Collections

Year-over-Year Percent Change

